

USAID INSIGHT

MUNICIPALITIES START PLANNING FOR THE FUTURE

CHOP'S RESIDENTS TO GET CLEAR WATER

Water had been a serious problem for Chop for quite some time. Galyna Petrivna, who has lived in the town for the last 40 years, says that not so long ago she could not have been sure of what would pour from her kitchen tap: clear drinkable water, brownish stuff with a bad odor, or nothing at all. Still, Galina was luckier than some Chop residents who live in older buildings in the town and had running water only during certain evening and morning hours.

The water treatment plant that supplies water to the town was constructed back in 1954. Initially, water was supplied from an underground water source. However, with a growing demand for water, the government decided to supplement this supply by tapping into local surface water that was of an inferior quality because no water treatment technology existed to clean it up.

Despite the fact that Chop serves as one of Ukraine's main international entry points and boasts the largest land customs office in the country, the town consistently lacked funds to fix the water problem. Single-year planning simply did not allow city officials to allocate sufficient resources to reconstruct the water facilities. In previous years, the water problem always seemed to get buried under a

pile of seemingly equally important issues during budget preparations for the following year's budget.

Things changed when MBR came to town. The project's experts quickly pointed to Program Performance Budgeting as a possible solution to the town's problem. The project helped town officials form the Town



Chop's Mayor Volodymyr Gorynetsky demonstrates strategic map of the city to MBR specialists. (Photo: Valeria Kotlyarenko)

Advisory Committee to coordinate PPB activities and actively engage the public in the budgeting process. It was during one of the committee's public hearings that the issue of water supply was placed high on the agenda.

"People made it very clear to us that they needed better water in this town ASAP," says see **MBR**, page 4

MUNICIPAL BUDGET REFORM

Many Ukrainian cities live the old way – city councils pass their annual budgets as if tomorrow will never come. Little is done to plan strategically for the future while social and economic problems pile up as city officials struggle to manage the deteriorating mess. To make things worse, traditional or line item budgeting is almost incomprehensible to laymen, seriously limiting the public's ability to influence budget-related decision making.

The USAID-funded Municipal Budget Reform (MBR) project aims to increase local budget transparency, efficiency and accountability to citizens by improving budget management in Ukrainian municipalities.

In 2005, MBR pioneered the use of Program Performance Budgeting (PPB). This approach is based on rational budget management focused on resolving social and economic problems. The use of a multi-year budget scheme provides for an effective allocation of limited financial resources and strengthened responsibility for effective spending. Furthermore, PPB allows for the creation of a competitive environment and for solving short- and long-term social and economic problems.

Since February 2005, MBR has gone into partnership with 85 Ukrainian municipalities to implement program performance budgeting and medium-term budget planning. A further 55 towns and cities will join the program in 2007.

CHERNIVTSI CITY COUNCIL PARTNERS WITH CIVIL SOCIETY ORGANIZATIONS IN ADDRESSING URGENT SOCIAL NEEDS

Hilfe is a non-profit CSO that fights poverty and has been helping Chernivtsi's needy residents for 15 years. Every year it has received 25 tons of humanitarian aid from a German charity organization based in Schluchtern, but for lack of resources has had difficulty getting it to those in need.

Last year, *Hilfe* and four other CSOs won a city competition for social projects and programs for non-profit organizations, providing 9,000 UAH to train volunteers to deliver aid. As a result, about 500 needy Chernivtsi residents benefited from humanitarian assistance.

This effort would not have been possible if it weren't for the efforts of one CSO – the *Ukrainian People's House*, - which successfully pressured the city council to hold public tenders. After the successful lobbying effort, Chernivtsi's local government agreed to use an established international practice to fund

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Hilfe volunteers deliver boxes with humanitarian assistance to needy Chernivtsi residents (Photo: Courtesy of Hilfe)

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RURAL COUNCILS SEARCH AND FIND SOLUTIONS FOR LOCAL PROBLEMS



Children play in the Dzvinochok Preschool playground (Photo: Olena Sayenko)

Oksana Moskalyuk, a single mother, until recently had to choose between finding a job outside of her village of Gostiv or staying home to care for her four-year-old, Alina.

Gostiv, an agricultural village of just over 1,000 people in Ivano-Frankivsk Oblast, has few employment opportunities. Young parents like Oksana are forced to search for work outside of their hometowns, leaving their preschool-aged children with neighbors or aging grandparents. Some parents, like Zinaida Nanovska, a village teacher, have been forced to take their kids to work, since there is no one to take care of them at home.

When school begins this year, Oksana and Zinaida won't be forced to make that choice any more. The Gostiv Village Council—one of over 500 rural councils participating in the Eurasia Foundation's (EF) *Strengthening Rural Councils* initiative—in cooperation with a public board of community representatives turned a vacant building in the village into the *Dzvinochok* Preschool. As part of the Strengthening Rural Councils project, EF helped the Gostiv Village Council

identify the community's most pressing needs, and to use their own resources to meet those needs.

EF supported Gostiv through a grant to the Lviv-based Western Ukrainian Resource Center (WURC). The WURC helped rural council members in Gostiv and four other villages work with their communities to address local social and economic issues. Using the tools and knowledge they acquired through the EF-sponsored program, rural councils worked with their communities to raise money, write development plans and take other concrete steps to provide or improve the municipal services community members said they needed most. In the village of Starunya, they rebuilt a hospital and started to serve meals in public schools free of charge. The Toporivtsi village council worked with the community to establish a credit union and set up telephone lines in the village. In the remote village of Troitsya, money was raised to purchase a minibus, offering its residents—many of whom work in the district center 28 kilometers away—

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COMMUNITY-BASED APPROACH BRINGS CONSISTENCY TO LOCAL DEVELOPMENT

Municipal governments come and go, and plans, programs and strategies elaborated by predecessors also often disappear with the wind of elections. In Ukraine, it used to be that a new mayor would bring a new team and would immediately start to reinvent the proverbial wheel. The elaboration of plans, programs, strategies, would begin from scratch, following the mantra "we don't pursue anything not invented by us." Plans and strategies were written without input from the people for whom they were written, and with little connection to the actual situation they intended to improve.

Prior to the 2006 parliamentary elections, the USAID *Local Economic Development* (LED) Project had worked to change the situation in 16 cities and focused on developing Economic Development Strategic Plans with them. In these cities, Strategic Planning Committees (SPC) formed with members of city administrations, community leaders and business representatives, crafted transparent economic strategies and a detailed work plans for implementation. Before introducing them to city councils, the SPC presented the plans at public hearings. The result? Communities began to take ownership of these plans.

This spring's electoral wind brought new

mayors to more than half of the cities that had developed their strategic plans with assistance from the LED project. Did the elections also sweep away the plans? Not this time. The plans survived and remain effective. And while there may be some adjustments, no one has ever said that a community's economic strategy as captured in a Strategic Plan is anything but a living document.

Pryluky Deputy Mayor Nadia Yeremenko says the new Mayor Yuriy Berkut supports

the goals of the plan in his city. "Maybe, the new City Rada will update the Strategic Plan by setting several new objectives. But the goals will remain the same. I think the Rada will consider Strategic Plan issues at its next session,"

she relates. She also states that if a community is going to develop, it must have a strategy that "allows us to see what we have to attain, and how."

Zinaida Fedoruk, Deputy Mayor of Ivano-Frankivsk, where the administration has also changed, echoed the view held in Pryluky. "As a matter of fact, no city can develop successfully without a development strategy. And it is very good that Ivano-Frankivsk already has the Economic Development Strategic Plan. Indeed, there are no limits

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A New Way of Solving Social Problems

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nel money via non-profit organizations to meet community social needs, which is called social contracting. The social contracting model foresees the involvement of CSOs in resolving society's most pressing problems using funds obtained from the city.

Even after Ukraine's independence, with the country taking on a more democratic appearance, Chernivtsi continued to resolve local social problems without including its residents in the planning and decision making process. Indeed, local citizens had no idea how and where budget expenditures were being put to use in meeting the city's most urgent social needs. As a result, many social problems persisted, mostly due to the local government's distrust of the public. Money was generally doled out based on personal connections and not on need. People unknown to city councilmen would not receive funding. The internationally recognized method for distributing funds was not applied; local government didn't view CSOs as potential partners.

"We decided to hold open social tenders to address the city's most dire social needs while simultaneously creating a transparent and effective environment for utilizing budget expenditures through CSOs," explained Volodymyr Staryk, the head of the *Ukrainian People's House*.

The tender program funded by the USAID-supported *Ukraine Citizen Action Network* program included a public aware-

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"I would have never ventured to contend for the mayor's office had I not become involved in the committee meetings."

Serhiy Kosharuk, Mayor of Kovel

CITIZENS PARTICIPATE IN REFORMING COMMUNAL SERVICE ENTERPRISES

Many city residents still do not realize that it is ultimately they who own and are responsible for communal service enterprises, according to a survey conducted by the USAID-sponsored *Communal Services Reform Roll-Out Project*, which is implemented by the *Municipal Development Institute* (MDI). MDI used the survey results to involve city residents in an open and honest discussion of CSEs problems and how to resolve them. The discussions took place during public hearings that local authorities in five Ukrainian cities of north central Ukraine (Boryspil, Lubny, Nizhyn, Uman and Shostka) organized to gather public support of strategic action plans for reforming their communal enterprises (CSEs).

MDI's experience in assisting communal enterprises in overcoming their problems indicates that public participation in the discussion for development plans of communal service enterprises is a powerful tool for establishing a dialog between city government and local communities. Such dialog stimulates a sense of responsibility in the in the local government and local community, which is crucial for improvements in the quality of services provided to city residents by the CSEs.

Prior to the hearings, MDI specialists conducted public opinion surveys to determine the level of public awareness on problems with communal service enterprises

and the general attitude toward introducing needed changes. In addition to the low level of awareness of who really owns CSEs, the survey results identified other important water supply issues, such as the low quality of drinking-water (Boryspil, Nizhyn); inter-

singled out as the main problems of district heating.

The most active discussion took place at the public hearing meeting in Uman, where participants made important suggestions on improvement to the strategic action plans, including utilization of internal reserves of communal service enterprises, alternative funding sources, use of outside investments, putting the debtors to work, installation of water and heat meters, establishment of the individual heating systems, and carrying out information and education work with the residents.

Residents of Ukraine's cities are just learning the art of dialog and constructive cooperation with their local authorities in solving their communal problems. Most participants of the hearings, both city government officials and local residents, believe that the practice of public hearings needs further support and replication in other regions.

USAID has already successfully implemented this model for change in other regions of Ukraine. From October 2000 to August 2005, the *USAID Tariff Reform and Communal Services Enterprise Restructuring Project* successfully reformed water

supply, wastewater disposal and district heating enterprises in 18 pilot cities. The project resulted in an increase in energy efficiency of the CSEs, reduction of their commercial losses, increases in the level of collection for billed services and reduction of indebtedness among the residents.



Public Hearing in the city of Berdyansk (Photo: Courtesy of MDI)

ruptions in water supply (Shostka and Uman), water supply rationing (Lubny) and the high cost of services (Uman). Hot water rationing (Uman, Nizhyn and Boryspil), insufficient water temperature (Uman, Nizhyn and Boryspil) and poor quality of district heating (Uman and Lubny) were

SPC MEETINGS INSPIRE MAN TO CONTEST FOR MAYORAL SEAT

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to perfection, and some amendments might be made in the plan."

Perhaps the most striking example of planning continuity can be seen in the city of Kovel. There, Serhiy Kosharik, who served on the Strategic Planning Committee as its chairman, is the newly elected mayor. The Electors' Committee, which monitored programs of mayoral candidates in Kovel, recognized his program, built on the Kovel Economic Development Strategic Plan, as the most adequate for the city's development.

"I would never have ventured to contend for the mayor's office had I not become involved in the committee meetings," explained Kosharik on his work as chairman of the pro bono committee. "During that time

I became better aware of problems in Ukrainian cities, including my own, and learned how to solve them. I saw what was done wrong and realized what I'd like to change."

Technical assistance projects come and go, and the challenge is always to test what USAID calls "sustainability." If you ask: "What remains in local economic development after municipal elections have changed municipal leaders," the answer is, "consistency that thrives because the entire community has created and owns its local development vision."



Newly elected Kovel Mayor Serhiy Kosharik (left) with his predecessor Yaroslav Shevchuk (right) during a Strategic Planning Committee meeting session six months before Mr. Kosharik was elected mayor. (Photo: Oleksandr Zheleznyak)

PPB HELPS ADDRESSING URGENT MUNICIPAL NEEDS

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Volodymyr Gorynetsky, Mayor of Chop, who has been working with MBR since 2005. "Bysharing responsibility with our people, we carefully proceeded forward to find a solution to our water problem."

Implementation of PPB enabled Chop to develop a three-year program for funding the construction of a new water treatment plant in the central part of the city and set program performance indicators, as well as put into operation a second unfinished underground water treatment plant. Very soon, fresh clean water will find its way to Galina Petrivna's kitchen.

NEW AMBULANCES TO HELP SAVE LIVES IN ZHYTOMYR

Since the dissolution of the Soviet Union, Zhytomyr's emergency response system has been in decline. The quality of medical services gradually deteriorated as money to buy new equipment or upgrade poorly kept facilities disappeared. As a result, emergency response times dropped significantly putting the lives of sick patients at risk. "You just can't get to your patient in 10 minutes if your ambulance is 20 years old and breaks down twice a day," explained Volodymyr Savchenko, Chief Doctor of Zhytomyr City Hospital #1.

When MBR started to work on improving financial management in Zhytomyr in 2005, the first thing it did was to persuade the town's officials to engage the public in budget decision-making.

Prior to trying a new budgeting method, the town held a series of budget hearings to understand what people needed most. It was during one of these hearings that Volodymyr called attention to the poor state of Zhytomyr's emergency health care.

"When I first heard that the town administration was going to hold a public budget hearing, I was very skeptical," says Volodymyr. "We saw too many initiatives get bogged down in the past. I am glad this time it was different."

It was different indeed. Volodymyr's speech helped make the quality of municipal hospital services a top priority. Using the PPB approach, the town identified financial resources to fund the purchase of nine new ambulances for local hospitals to allow for quicker emergency response times. "These nine cars will help us save lives, nothing more than that," says Volodymyr.

KINDERGARTENS RECEIVE NEW CHAIRS

Another story from Zhytomyr, though less dramatic, nonetheless gives a good example of why it is so important for local authorities to listen to the public. A town does not always need hundreds of thousands of dollars to fix a problem. The first step, however, is to determine what the actual problem is.

While holding public budget hearings, Zhytomyr's town administration with MBR project assistance conducted a survey to identify problems deemed important by the town's residents. A total of 397 questionnaires were randomly distributed throughout the town. Once processed, town officials obtained an important list of issues and ranked them in order of significance.

One of the problems that was identified came as a surprise. While trying to fix public roads, improving medical care, and taking care of the elderly, the city officials overlooked the fact that there was a severe shortage of children's chairs in kindergartens; the last purchase having been made 15 years earlier. The town's youngest residents did not have chairs to sit on.

"Frankly, we would never have identified this problem unless a public survey was conducted," says Natalia Shara, Zhytomyr's Deputy Mayor.

Program Performance Budgeting allowed for the purchase of 2,000 chairs for the kindergartens, along with 15 electric water boilers, 10 refrigerators, washing machines and tableware from the town's budget.

Village Councils Unite with Communities to Improve Services

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public transportation for the first time. In addition to opening the preschool, the Goshiv community also raised funds to open a local museum and provide gas-powered heating to the village.

While the Ukrainian government declared 2006 the *Year of the Village*, the Eurasia Foundation has supported local village development since 2004. USAID's EF programs have helped 545 village councils in eight oblasts (Lviv, Ivano-Frankivsk, Zakarpatska, Crimea, Volyn, Kirovohrad, Khmelnytsky and Cherkasy) act in the interests of their constituents and improve municipal services. The local improvements USAID has helped to develop include: village streetlights, a school heating system, a playground, a stadium, a new recreation area and bus stops. More than 1,300 council members have attended trainings on topics ranging from strategic planning, public finance and project management to fundraising, information technology and energy savings. Twenty eight rural councils have developed and adopted strategic local development plans. When community leaders listen to and work with their constituents effectively, they can take steps toward local development with concrete results for their communities.

The publicly managed *Dzvinochok* Preschool in Goshiv is an example of the benefit that comes from local leaders and community members working together. The cooperation helps young parents like Oksana and Zinaida not to worry about their children while at work. Now that the preschool has opened, Zinaida's daughter will finally get the chance to spend time with children of her own age. And Zinaida can look forward to the day when her daughter is old enough to go to school together with her.



The United States Agency for International Development's (USAID) principal mission in Ukraine is to help the country to complete the transition to a broad-based democracy with a market-oriented economy. USAID assistance focuses on the following areas: **Economic Growth, Democracy and Governance, Health and Social Sector.** Since 1992, the USAID has provided \$1.6 bln worth of technical and humanitarian assistance to Ukraine to further the processes of democratic development, economic restructuring and social sector reform in the region. To obtain additional information about other USAID programs in Ukraine please visit the USAID website at: <http://ukraine.usaid.gov> or e-mail omyrtsalo@usaid.gov

CSO LOBBIES FOR OPEN SOCIAL TENDERS

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ness campaign in the mass media, training for CSO leaders on grant writing as well as the publication of a brochure titled, *How to Secure a Grant From the City of Chernivtsi*.

News coverage of the tender program in local and regional media outlets laid the foundation for public trust in the city's government. On March 31, 2005, the Chernivtsi city council officially approved a resolution on "city competitions regarding social projects and programs for non-profit organizations." The bill decreed that city council employees and deputies along with CSO representatives would comprise the tender approval commit-

tee, and earmarked 60,000 UAH for municipal projects.

"The first competition marked the start of a hopeful relationship between the local government and the public, one in which we believe, and one that we will continue to financially support on an annual basis," enthusiastically remarked Anatoliy Melnyk, head of the International Relations and Communications Department within the city's executive committee.

In 2006, the city council doubled the budget for NGOs' projects, which indicates the growing trust in work of local NGOs.